



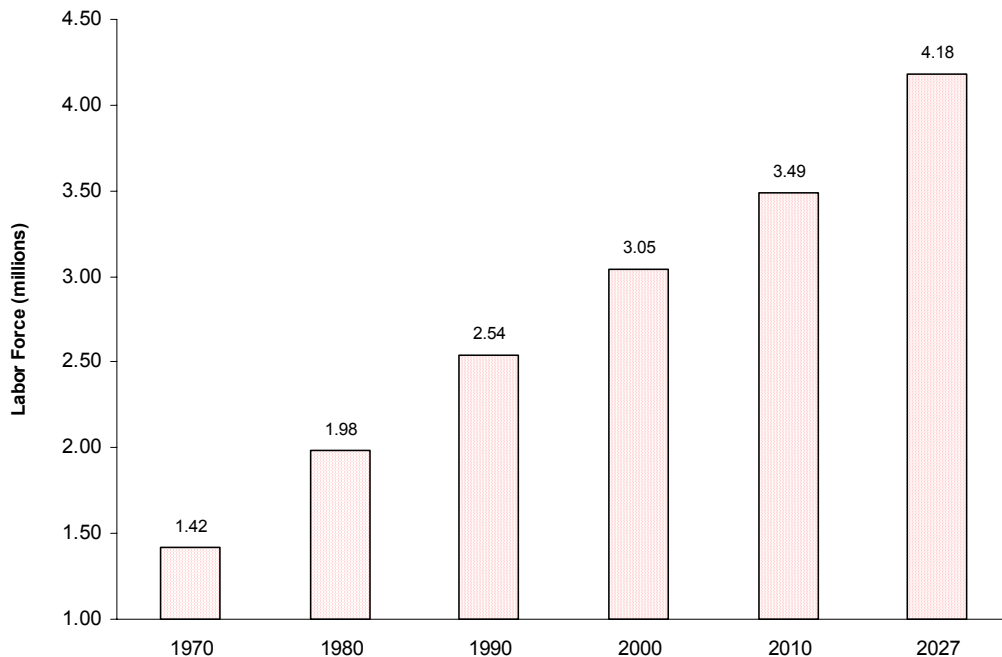
CHAPTER 2

Long-Term Forecast of the Washington Labor Force

BETWEEN 1970 AND 2002, total labor force* in Washington more than doubled from 1.42 million to 3.1 million. The state is expected to gain an additional one million workers in the next 25 years and, by the year 2027, has a workforce of 4.2 million. The forecast represents a 1.3 percent average annual growth rate for the state labor force from 2002 to 2027, about half the pace of the 2.4 percent annual growth in the past three decades.

In the first half of the 1990s, labor force in the state grew 2.0 percent per year. The growth then accelerated to a 2.7 percent annual rate in the 1995-98 period, slowed to 1.2 percent in 1999, and then dipped into negative in the next two years. The forecast for the next five years, from 2002 to 2006, calls for a moderate recovery of annual growth to 1.8 percent.

**Figure 2-1
Washington Labor Force Growth**



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*As used in this report, the term "labor force" refers to the *civilian non-institutional labor force*, which is composed of individuals age 16 or over who are currently employed (either part-time or full-time) or who are actively seeking employment. Individuals who are in nursing homes, prison, or the military (referred to as the institutional population) are not considered to be either in the civilian labor force or part of the base population from which the labor force is drawn. Other individuals who are not in the civilian labor force are those who are not employed *and* not seeking employment. Common reasons for not being in the labor force include retirement, ill health or injury, attending school, or doing housework at home.

In the next 25 years, Washington's labor force growth will decelerate. The state's workforce is expected to increase at a 1.7 percent annual rate during the period from 2002 to 2010, after which the growth rate will decline considerably to an annual average of 1.1 percent between 2010 and 2027.

The slowdown in labor force growth is a national phenomenon related to the aging of the population. Since labor is a major factor of production, the slowdown in labor force growth will dampen the growth of economy. This is a particularly important concern because, after 2010, the baby boom generation will start entering retirement en masse and drawing Social Security and Medicare benefits. The fast-growing retiree and elderly population will have to be supported by a labor force that increases relatively slowly. Besides the ongoing Social Security reform efforts, delayed retiring and future productivity increases are expected to offset the drag exerted by the slowing labor force growth.

There will be some significant changes in the future labor force. As the economy becomes more dynamic, future labor market participants need to be able to promptly adapt to the quick-changing working environment. Also, as firms constantly restructure to improve operating efficiency and market competitiveness, future workers should anticipate job change many times in their working careers.

On the other hand, there will be increasing demand for "local services" that produce job opportunities for low- or moderate-skilled workers. Demand for these services will be stimulated by an increasing number of multi-earner households and aging baby boomers. These services are much less susceptible to the competition of foreign imports.

The future labor force will be more diversified. In 2027, non-white workers will account for 15.5 percent of total labor force in Washington, compared to the 8.5 and 12.2 percent shares in 1990 and 2000, respectively. By 2027, 18.5 percent of the state's workforce will be Hispanic, nearly five folds the 3.8 percent share in 1990. In addition, over the next two-and-a-half decades, female labor force in the state will increase 44 percent, compared to the 32 percent growth for male workers.

The size and composition of the Washington labor force is determined by three major factors:

- (1) Natural population changes -- aging, births, and deaths.
- (2) Net-migration -- difference in the number of persons entering and leaving the state.
- (3) Labor force participation rates -- proportion of people 16 years of age and older who are employed or seeking employment.

The following sections explore the future changes of these factors and their implications in shaping the state's workforce.

Population Change and Labor Force Growth

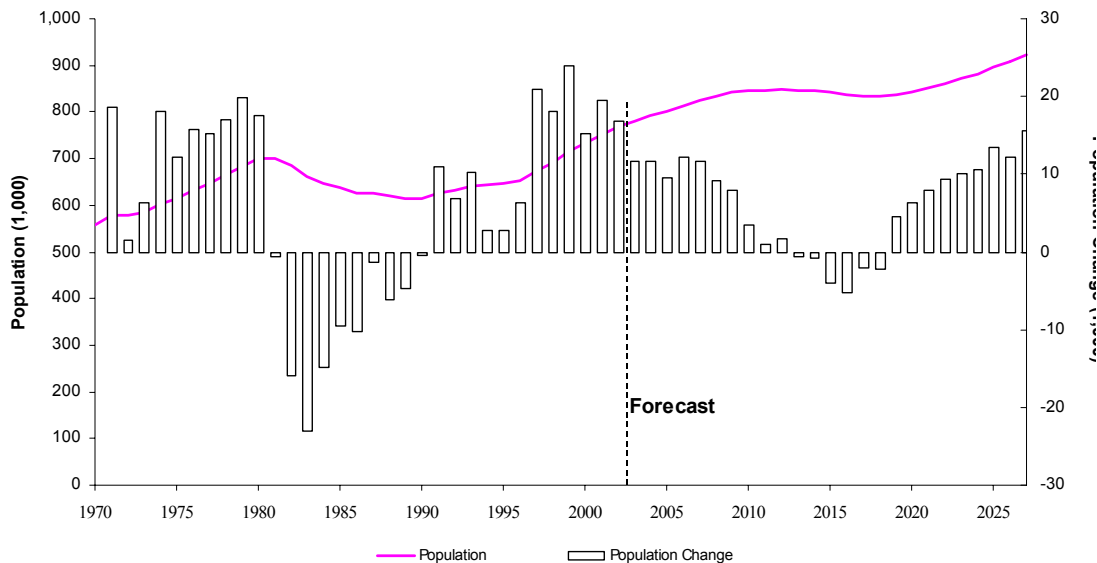
Population growth in the state directly contributes to its labor pool. From 1970 to 2002, the number of persons 16 years old and over grew at an annual rate of 2.1 percent in Washington, significantly higher than the 1.3 percent annual rate for the nation. As a result, the state's labor force grew 2.4 percent per year between 1970 and 2002, far outpacing the 1.8 percent average growth rate for the U.S. during the same period.

Population growth in the state is expected to slow to 1.2 percent per year between 2002 and 2027; similar slowdown is projected for the labor force during the period. The forecasted growth of 1.3 percent per year for the state's labor force is still much higher than the projected 0.8 percent annual increase for the nation as a whole.

People in the 16 to 24 age group account for a majority of new labor market entrants. The state's population in this age cohort actually declined throughout the decade of the 1980s (Figure 2-2), due to lower birth rates beginning in the mid-1960s. Consequently, in 1990 this age group accounted for only 16.6 percent of the state labor force, substantially lower than the 35.0 percent share in 1980.

In the early 1990s, the 16-24 age group began to grow again, although the pace was initially very slow. Population growth in this age group accelerated in the second half of the 1990s and, by the turn of the century, approached the high growth reached in the 1970s. High growth of youth population in the late 1990s will lead to significant additions of new workers to the state's labor pool in the near term. Growth of this age group in the state will once again slow down in the second half of the 2000s.

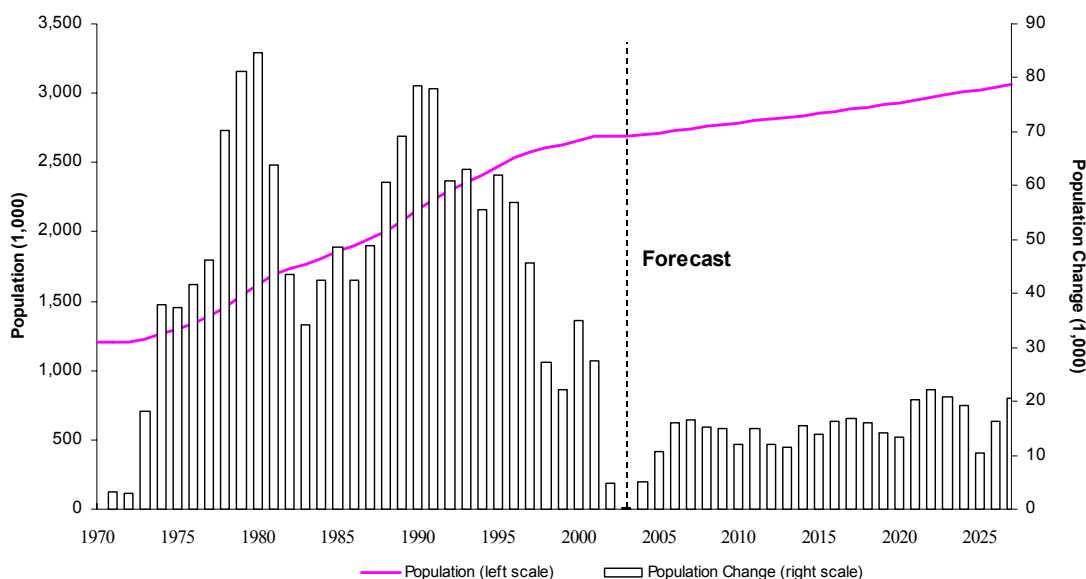
Figure 2-2
Population Estimates and Forecasts for Ages 16-24



Shifting age structure is a major factor leading to the anticipated slowdown in the growth of the Washington labor force. In the next 25 years, a large portion of the projected population growth will occur in the age groups with low labor force participation rates, thus depressing total labor force participation and workforce growth. The state's 25 to 54 year old population, the most active labor force participants, grew an average of 46,700 persons per year between 1970 and 2002. In contrast, the growth of this age group will drop substantially to an annual average of 14,600 persons over the forecast period.

The forecasted annual growth rate of the 25 to 54 age group in the state is 0.5 percent over the next two-and-a-half decades, far below the growth rates of 2.9 percent and 2.1 percent per year in the 1980s and the 1990s, respectively (Figure 2-3).

Figure 2-3
Population Estimates and Forecasts for Ages 25-54



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Migration

Migration affects the labor force in two ways: first, it is an important contributor to population change, and thus labor force growth; second, most of the migrants are young workers with a long-term attachment to the labor force. In the past 25 years, net migration in the state averaged 48,100 per year, directly accounting for about 60 percent of state yearly population growth. Over the forecast horizon, net migration is expected to remain at a level compatible with historical average, due mainly to continued strengths in the state's manufacturing and other traded sector jobs:

- Manufacturing employment in Washington is projected to grow slightly, compared to the forecasted decline in the U.S. Manufacturing jobs offer above-average wages and support a

variety of other jobs in the economy. Strength in the state's manufacturing sector will help stimulate the demand for labor and thus labor-related in-migration.

- Business services will continue to grow at a healthy pace, although not at the same rapid rate as in the late 1980s and the 1990s. Most of the fast-growing business services industries recruit from national or international labor pools; thus, their growth is expected to attract labor from outside the state.
- There has been an increasing number of migrants over age 65 to Washington. Migration decisions of senior citizens are mainly determined by quality of life, amenities, and services available at the destination places. Senior migrants affect the state labor market differently than job-related migrants. On one hand, they are not competing for job opportunities; on the other hand, their assets and incomes contribute to the local economy and the demand for labor. Senior citizens are intensive users of public and private services, thus stimulating employment growth in these sectors. Nationwide, people over 65 years old will increase significantly throughout the forecast period, suggesting that a growing portion of in-migrants will be retired or over age 65.

As a result of the aforementioned economic and non-economic forces, net-migration between 2002 and 2027 will total 1.11 million persons, averaging about 45,180 per year, below the 46,900 annual average of the past 30 years.

Changes in Labor Force Participation

Labor force participation rates in Washington State historically have been higher than the national average, due in large part to a higher concentration of young people who are active labor market participants. From 1970 to 2002, the state's aggregate labor force participation rate increased from 61.5 percent to 66.4 percent. During this period, the male labor force participation rate gradually declined, while the female labor force participation rate rose considerably. The labor force participation rate in the state is projected to increase gradually to 67.7 percent in 2010 and then decline to 66.5 percent level by 2027.

The projected decline in labor force participation is due mainly to changes in age composition of the future population. Basically, for both males and females, labor force participation is highest between the ages of 20 and 54, lower for ages 16 to 19 and ages 55 to 64, and very low for persons in retirement age of 65 and over. Population growth that occurs in age groups with lower labor force participation (e.g., age 65 and over) will not increase the labor force as much as the growth in the high-participation age groups (e.g., age 35 to 44). The changing age structure over time is a major factor that lowers the aggregate labor force participation rate after 2010.

After 2010, the proportion of the state population in the older age groups will increase substantially. The elderly people (age 65+) as a share of the total state population will increase from 12.1 percent in 2010 to 18.8 percent in 2027. This has a dampening effect on the labor force growth since the elderly have much lower labor force participation rates. If the population in 2027 was assumed to have the same age structure as in 2010, the aggregate labor force

participation rate for that year would be 72.1 percent, rather than the projected 66.5 percent. In other words, aging of the population alone depresses the state labor force participation rate by 5.6 percentage points.

Table 2-1 shows a comparison of the 1990 Washington labor force and labor force participation rates by age and sex, with the corresponding forecast for 2027.

Table 2-1
Washington Labor Force by Age and Sex, 1990 and 2027

Age	Labor Force				Labor Force Participation Rate		
	1990	2027	1990-2027 Net Additions	Percent Change	1990	2027	1990-2027 Percentage Pt. Difference
All							
16-24	422,227	631,901	209,674	49.7%	71.7%	70.5%	-1.2%
25-54	1,844,650	2,705,107	860,457	46.6%	86.7%	89.7%	3.1%
55-64	213,800	624,690	410,891	192.2%	56.4%	68.3%	11.9%
65+	57,418	216,717	159,299	277.4%	10.5%	14.8%	4.3%
Total	2,538,095	4,178,416	1,640,321	64.6%	69.7%	66.5%	-3.2%
Male							
16-24	214,893	303,338	88,445	41.2%	73.5%	67.9%	-5.6%
25-54	1,005,393	1,379,654	374,261	37.2%	95.4%	91.0%	-4.4%
55-64	124,354	624,690	500,336	402.3%	67.5%	77.4%	9.8%
65+	33,806	216,717	182,910	541.1%	14.5%	19.2%	4.7%
Total Male	1,378,447	2,524,400	1,145,953	83.1%	78.2%	70.0%	-8.1%
Female							
16-24	207,334	328,563	121,229	58.5%	70.0%	73.1%	3.1%
25-54	839,257	1,325,453	486,196	57.9%	78.1%	88.5%	10.4%
55-64	89,445	271,014	181,568	203.0%	45.8%	59.2%	13.4%
65+	23,612	87,761	64,149	271.7%	7.6%	11.1%	3.5%
Total Female	1,159,648	2,012,791	853,143	73.6%	61.8%	63.0%	1.2%

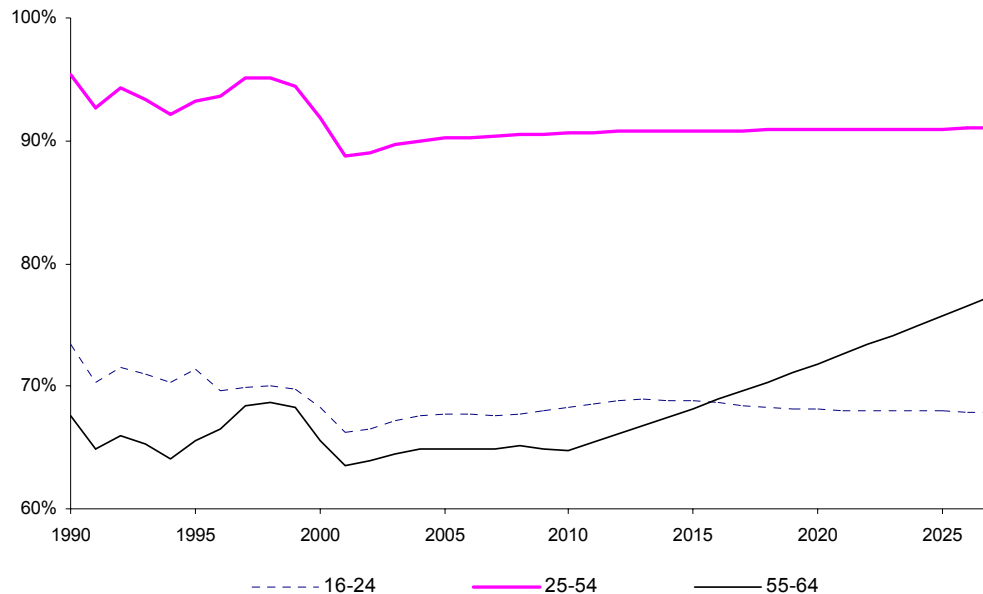
Male Labor Force Participation

The total male labor force participation rate has declined slightly in the past two decades, due primarily to early retirements. Improved retirement options have led to a decline in the labor force participation rates of older men. Generous public and private pension systems and social insurance programs (Social Security, Medicare, and employer-provided health insurance), as well as increases in the wealth and asset incomes of senior citizens have been the contributing factors for choosing early retirement. Nationally, the labor force participation rate of males age 55 to 64 years old dropped from 83.0 percent in 1970 to 67.4 percent in 2001.

In the future, many people over age 65, especially those in the 65-70 age group, will choose to stay in the workforce longer because they lack the economic resources necessary to maintain a desired retirement lifestyle. This is especially the case considering possible retrenchments in

Social Security and Medicare benefit programs. A longer life expectancy also contributes to the need to extend working years. These postulations have been incorporated into the present labor force forecasts for the state. The labor force participation rate of males in the age 55-64 is projected to rise from 67.5 percent in 1990 to 77 percent by 2027 (Figure 2-4a).

Figure 2-4a
Washington Male Labor Force Participation Rates (Age 16-64)



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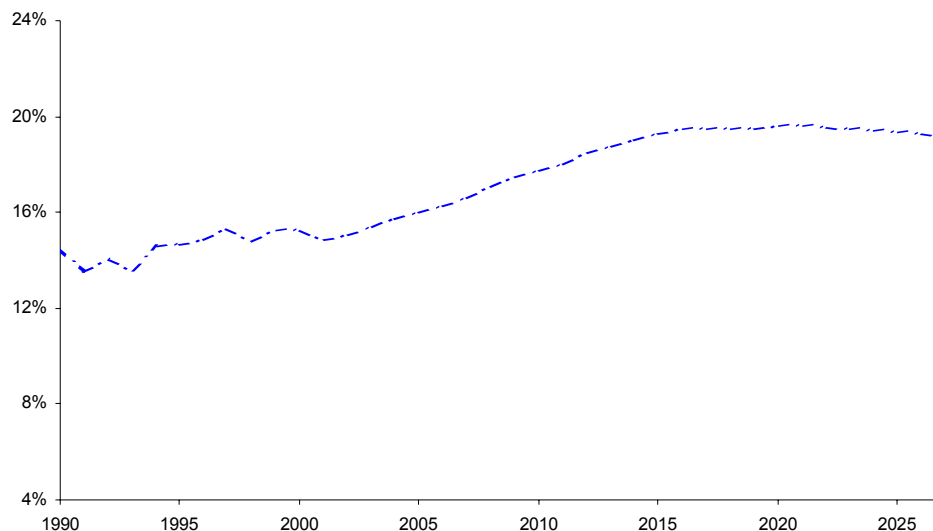
Educational attainment is the major factor why an increase in the labor force participation rate of those over age 65 is anticipated (Figure 2-4b). Table 2-2 shows that education achievement is a very significant factor in determining the working status of the elderly.

Since people in the 40 to 44 age group in 2000 are two-and-a-half decades removed from the 65-69 age cohort in 2025, their educational profile provides a close approximation to the educational profile of the 65-69 age group in 2025. Table 2-2 also shows that, since in 2000 the educational attainment of the 40-44 age group was much higher than that of the 65-69 age group, the elderly people in 2025 will have a much higher labor force participation rate than the participation rate of comparable cohort today.

Higher educational levels make it easier for older persons to stay in the labor force. Well-educated persons are more likely to obtain and remain with (white-collar) jobs that demand less physical strength, provide better compensations and more flexible working schedules than those less-educated.

Business cycles also exert significant influence on labor force participation behavior. The male labor force participation rate was affected more than the female rate by the 1990-91 national recession. The downsizing and cost-cutting operations in many large corporations in the early 1990s caused some people to drop out of the labor market entirely and discouraged others from entering the labor market.

Figure 2-4b
Washington Male Labor Force Participation Rate (Age 65+)



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Table 2-2
Elderly Labor Force Participation and Education: Washington, 2000

Schooling Completed	Age 65-69 Labor Force Participation Rate	Share of Age 65-69 Population	Share of Age 40-44 Population
1-9 grades	15.1%	8.6%	4.0%
10-12 grades	13.1%	9.5%	6.2%
High school graduate	17.6%	30.5%	23.8%
Some college/Associate	22.1%	26.1%	38.8%
BA and higher	27.6%	25.2%	27.2%
Total	20.6%	100.0%	100.0%

Source: 2000 Census PUMS data file.

Female Labor Force Participation

One of the most significant labor market phenomena in the twentieth century is the increase of women in the workforce. Nationwide, the female labor force participation rate increased from 33.8 percent in 1950 to 57.5 percent in 1990, then reached 59.6 percent in 2002. As a result, the gap between male and female labor force participation rates has narrowed substantially over the past five decades. In 1950, the male labor force participation rate was 53 percentage points above the female rate; by 2002, the gap shrank to 15 percentage points.

Key factors contributing to the trend of rising female labor force participation include increasing level of educational attainment, decisions to delay marriage and childbearing, changing gender roles, availability of market substitutes for housework, and changing technologies that reduce the demand for physical labor. Declining real wages in the past three decades also have contributed: in many households, a second income was needed to help offset the loss in real earnings of male householders.

Shifting of the female gender roles from an emphasis on housekeeping to paid market jobs will continue to bring more women into the labor force. Economic pressures will also continue to drive women into the market workforce, especially for single mothers.

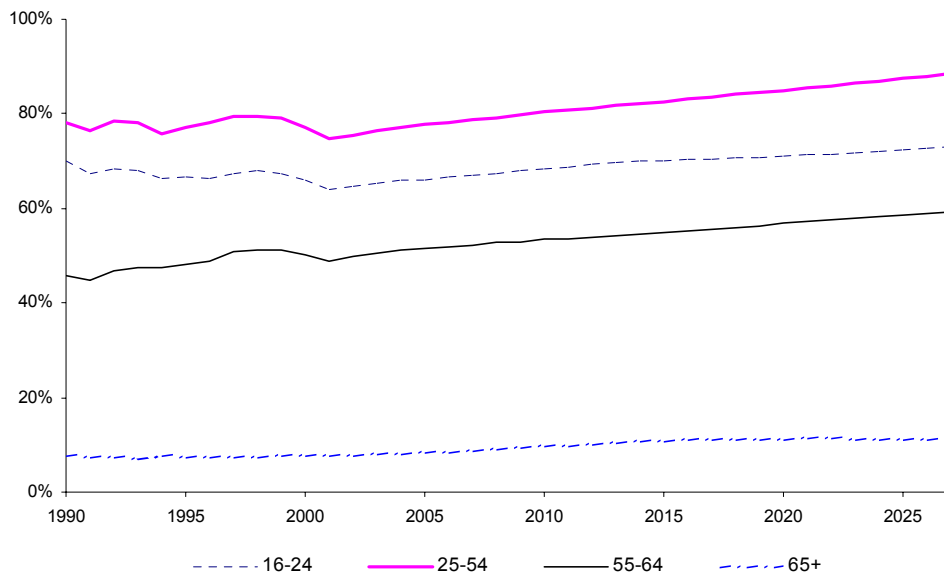
Indeed, the general orientation toward work and overall attachment to the labor force are already roughly comparable for young men and women. Furthermore, as the demographic forces result in slower labor force growth in the next few decades, employers will increasingly look to women as an important source of labor.

On the other hand, although the long-term trend of rising female participation in the labor force is expected to continue, the increase will slow down. Actually, the pace of increase in female labor force participation began to slow significantly in the mid-1980s as the female rates approached those of males. Some gender differences still persist between men and women in terms of perceived parenting and other family responsibilities. Today women still bear a disproportionate share of childrearing and housework responsibilities in most families. As a result, most woman workers will continue to experience more frequent and longer spells of time away from work than men. This means that female labor force participation is not likely to reach the male rates in the near future. All these considerations are embedded in the forecast for female labor force participation rates (Figure 2-5).

In summary, the trend of rising female labor force participation will continue, although at a slower pace than in the previous three decades. In Washington State, the overall workforce participation rate of women is expected to increase from 61.5 percent in 2000 to 62.7 percent in 2010. Then, as a large proportion of the population moves into the age groups with low labor attachment, the rate will remain little changed and reach 63.0 percent by 2027.

As discussed above, changes in the male and female labor force participation rates varied by age and sex. Together, the state total labor force participation rate is anticipated to gradually increase from 66.4 percent in 2002 to 67.7 percent in 2010, and then decline to 66.5 percent by 2027.

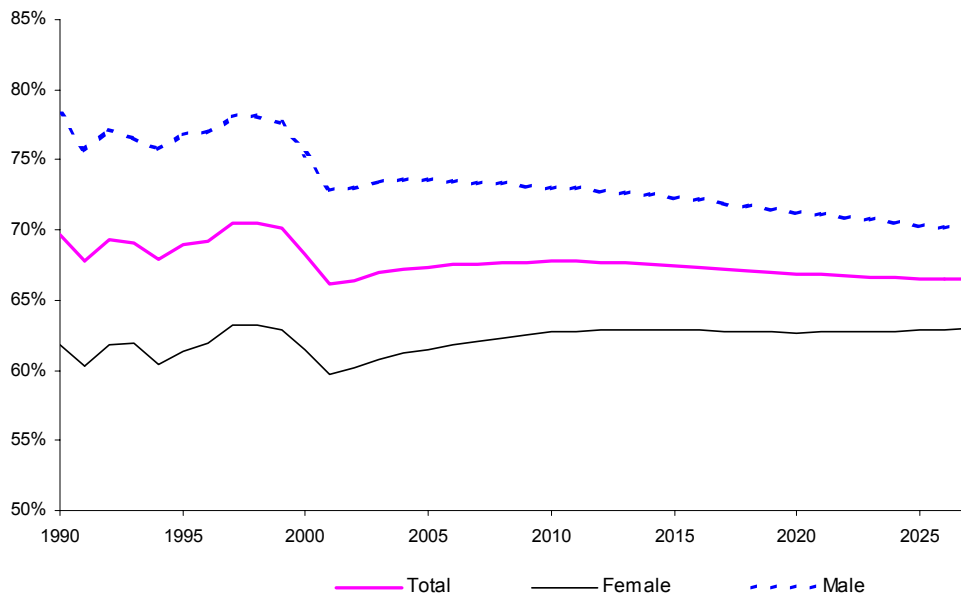
Figure 2-5
Washington Female Labor Force Participation Rates



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Figure 2-6
Forecast of Washington Labor Force Participation Rates by Sex



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Forecast of Total Labor Force

The projected changes in labor force participation rates, net migration, natural population increase, and aging of the population result in a downward trend for the state's labor force growth. Between 1990 and 2000, the Washington labor force grew by 20 percent, representing an average annual growth rate of 1.8 percent. This rate is significantly lower than the 3.0 percent growth per year experienced in the previous two decades. In the decade from 2000 to 2010, the state's labor force growth is expected to decelerate to 1.4 percent per year, or 14.6 percent total growth for the decade. Looking further into the future, the state's labor force growth is projected to continue slowing down between 2010 and 2027 as the Baby Boom generation reaches retirement age, averaging 1.1 percent annually during the period (Table 2-3).

While the Washington labor force will increase at a relatively slow pace over the next 25 years, the growth of the U.S. labor force is expected to be even more sluggish. The major reason for the difference between Washington and U.S. labor force growth is population growth. Between 2002 and 2027, the Washington's population 16 years old and over is forecasted to grow at an annual average rate of 1.3 percent, while the comparable population group in the nation is projected to increase only 0.9 percent per year. The difference is mainly attributed to the state's continuing ability to attract migrants.

Table 2-3
Washington Labor Force Change

Decade	Changes in Labor Force		
	Number (1,000s)	Percent Change (%)	Average Annual Growth (%)
1950-1960	149.8	15.9	5.5
1960-1970	320.1	29.4	2.6
1970-1980	567.5	40.0	3.4
1980-1990	552.9	27.9	2.5
1990-2000	507.2	20.0	1.8
Forecast			
2000-2010	443.6	14.6	1.4
2010-2020	406.3	11.6	1.1
2020-2027	283.2	7.3	1.0

Washington labor force participation rates historically have been slightly above national rates, a tendency which is expected to continue. Table 2-4 provides labor force estimates for Washington between 1980 and 2002, and forecasts through 2027.

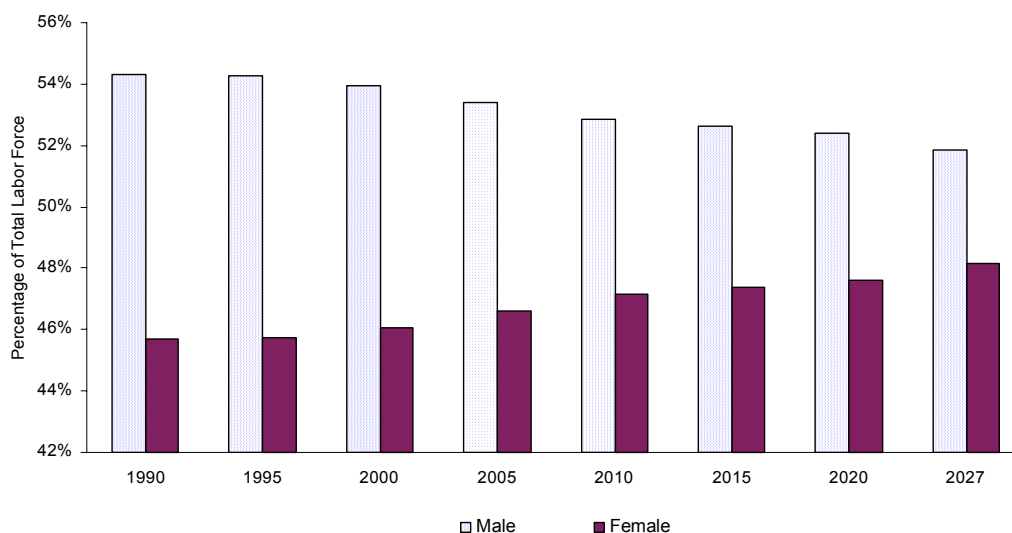
The Changing Profile: Aging, Female, and Non-White Workforce

Changes in labor force participation, combined with demographic changes (births, deaths, aging, and migration), will alter the composition of the Washington labor force. The forecast shows that the state workforce will become more and more diversified in terms of age, sex, and racial mixes. These trends parallel those projected for the nation's workforce.

Higher Proportion of Women in the Labor Force

Over the forecast period, the slow but steady increases in labor force participation by women, combined with a gradual decline in male labor force participation, will increase the female share of the total labor force. In 2000, women represented 46.0 percent of the labor force; by 2027 their share will rise to 48.2 percent (Figure 2-7). Women will contribute to more than half of "net additions" to the labor force between 2000 and 2027. "Net addition" is the difference between the number of labor force entrants and the amount of those leaving the labor force.

Figure 2-7
Forecast of Washington Labor Force Distribution by Sex



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The increasing importance of women as a source of labor will motivate employers to provide benefit programs that accommodate the needs of female workers. Some desirable employee benefits include on-site childcare, flexible work schedules, order and delivery of household goods such as groceries, dry cleaning of clothes, etc. For employers, these work-life benefit programs will be critical to their ability to attract qualified employees, and to raising the productivity of their female workers.

Aging of Labor Force

Between 2002 and 2027, the number of Washington workers over 55 years old will increase by about 116 percent, while those aged 16 to 54 will increase by only 25 percent. Consequently, the age silhouette of the state labor force in 2027 will be very different from that in 1990. Older persons (55 years old and over) are projected to represent about 20 percent of all Washington labor force in 2027, substantially higher than the 13 percent share in 2002 (Figure 2-8).

As part of the aging process, the workforce will go through an interim “middle-aging” phase. By 2000, middle-aged workers — those 35 to 54 years old — constituted about 50 percent of the labor force, significantly above the 45 percent share just a decade ago. A by-product of the middle aging of the labor force is generational crowding or “mid-career crunch.” The sharp rise of these middle-age workers will lead to an abundant supply of persons qualified for mid-career promotional opportunities, while prolonged staying of top-level, older workers may diminish the prospects of middle-age employees looking for career advancements. One likely result may be increasing job or career changes in the future years.

Figure 2-8
Age Profile of Washington Labor Force

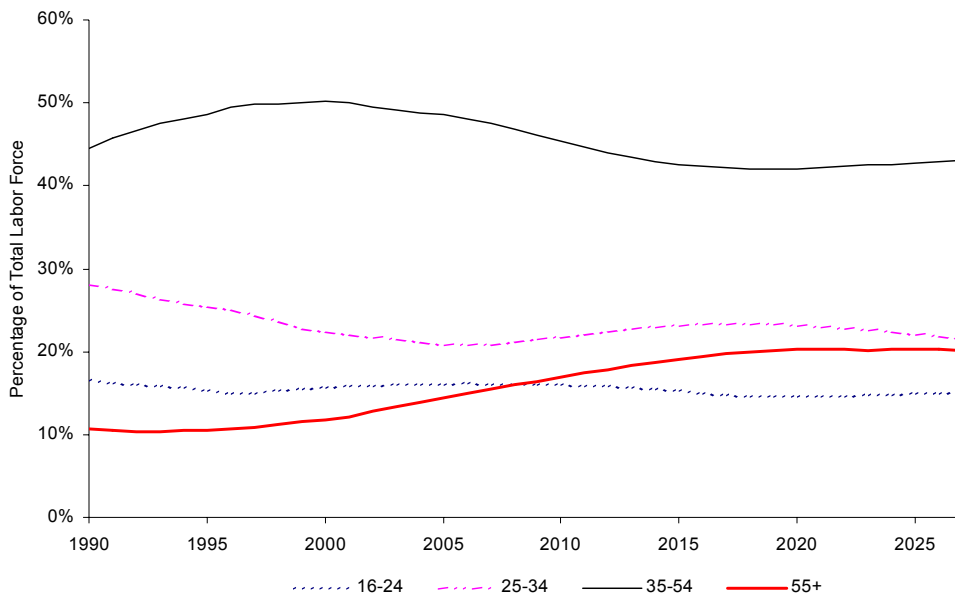


Table 2-4
Washington Labor Force: Historical and Forecast

Year	Civilian Non-Institutional Population				Labor Force			Labor Force Participation Rate		
	Total Population	Total 16 & Over	Male 16 & Over	Female 16 & Over	Total	Male	Female	Total	Male	Female
1980	4,132,200	3,061,000	1,479,700	1,581,200	1,984,600	1,157,200	827,400	64.8	78.2	52.3
1981	4,229,300	3,128,100	1,511,000	1,617,100	1,996,800	1,158,300	838,500	63.8	76.7	51.9
1982	4,276,500	3,166,500	1,530,300	1,636,100	2,024,500	1,160,700	863,700	63.9	75.8	52.8
1983	4,307,200	3,193,200	1,541,600	1,651,600	2,068,400	1,174,300	894,100	64.8	76.2	54.1
1984	4,354,100	3,234,100	1,561,100	1,672,900	2,050,400	1,169,300	881,100	63.4	74.9	52.7
1985	4,415,800	3,282,600	1,584,800	1,697,900	2,090,400	1,181,800	908,600	63.7	74.6	53.5
1986	4,462,200	3,330,300	1,608,900	1,721,400	2,198,500	1,220,700	977,800	66.0	75.9	56.8
1987	4,527,100	3,388,600	1,637,100	1,751,500	2,257,500	1,234,400	1,023,200	66.6	75.4	58.4
1988	4,616,900	3,454,300	1,667,800	1,786,500	2,315,800	1,247,100	1,068,700	67.0	74.8	59.8
1989	4,728,100	3,537,000	1,708,400	1,828,600	2,450,900	1,356,000	1,094,900	69.3	79.4	59.9
1990	4,866,700	3,640,900	1,763,600	1,877,300	2,538,100	1,378,400	1,159,600	69.7	78.2	61.8
1991	5,021,300	3,739,700	1,813,400	1,926,300	2,535,100	1,372,700	1,162,400	67.8	75.7	60.3
1992	5,141,200	3,824,600	1,856,900	1,967,700	2,649,800	1,432,600	1,217,200	69.3	77.2	61.9
1993	5,265,700	3,912,800	1,903,000	2,009,800	2,701,000	1,456,100	1,244,900	69.0	76.5	61.9
1994	5,364,300	3,988,200	1,940,800	2,047,400	2,706,500	1,469,300	1,237,300	67.9	75.7	60.4
1995	5,470,100	4,069,700	1,981,700	2,088,000	2,804,400	1,522,300	1,282,200	68.9	76.8	61.4
1996	5,567,800	4,151,200	2,022,300	2,128,900	2,873,900	1,556,400	1,317,500	69.2	77.0	61.9
1997	5,663,800	4,232,000	2,062,600	2,169,400	2,983,300	1,611,500	1,371,800	70.5	78.1	63.2
1998	5,750,000	4,310,400	2,103,700	2,206,700	3,037,900	1,642,600	1,395,200	70.5	78.1	63.2
1999	5,830,800	4,387,400	2,143,500	2,243,900	3,074,600	1,662,700	1,411,900	70.1	77.6	62.9
2000	5,894,100	4,459,300	2,178,800	2,280,500	3,045,300	1,643,300	1,402,100	68.3	75.4	61.5
2001	5,974,900	4,528,600	2,212,600	2,315,900	2,995,700	1,611,800	1,384,000	66.2	72.8	59.8
2002	6,041,700	4,592,100	2,244,400	2,347,700	3,050,700	1,637,500	1,413,200	66.4	73.0	60.2
Forecast										
2005	6,230,000	4,778,000	2,338,300	2,439,800	3,219,500	1,719,200	1,500,300	67.4	73.5	61.5
2010	6,649,800	5,150,600	2,527,100	2,623,500	3,488,900	1,843,900	1,645,100	67.7	73.0	62.7
2015	7,098,500	5,490,700	2,698,300	2,792,400	3,704,200	1,949,200	1,754,900	67.5	72.2	62.8
2020	7,547,300	5,822,400	2,863,600	2,958,900	3,895,200	2,040,100	1,855,200	66.9	71.2	62.7
2027	8,139,300	6,286,600	3,092,800	3,193,800	4,178,400	2,165,600	2,012,800	66.5	70.0	63.0

Notes:

Total population is based on the November 2002 official Office of Financial Management population estimates and forecasts.

Total population estimates and forecasts are for April 1 of each year.

Estimates/forecasts of civilian non-institutional population, labor force, and labor force participation rate are "annual average" measurements.

Projection of the civilian non-institutional population is based on 1990 proportion of the male and female Washington population participating in the military or residing in prisons, nursing homes, and other institutions.

Labor force participation rates represent the proportion of the civilian non-institutional population that is employed or unemployed based on federal Bureau of Labor Statistics definitions.

The repercussions caused by this “middle-aging” phenomenon may be further exacerbated during a business downturn when firms accelerate “delaying” management structure and cost cuttings in order to remain competitive. This is similar to what happened in the first half of the 1990s, when the flattening or compressing of management structures in firms eliminated large numbers of mid-management positions. Many of these dislocated managers were unable to find employment with compensations comparable to their previous jobs.

The elderly workforce is characterized by a high proportion of part-time and temporary working arrangements. Today, a lot of old workers (i.e. age 65+) willfully hold part-time jobs, only a few of them want to switch to full-time employment. Also, a majority of the elderly workers perceive their current working as temporary, indicating their readiness to change jobs or exit the labor market (for retirement).

The aging of the workforce will present unique challenges to employers. Businesses will need management and personnel practices that can effectively accommodate older employees. Among the challenges will be:

- (a) establishing new reward and incentive structures as traditional hierarchical promotional opportunities decline;
- (b) facilitating career or job changes for “squeezed” middle-age or “topped-out” older employees;
- (c) planning and implementing human resource management to accommodate less predictable retirement age and exits/re-entries of elderly workers;
- (d) meeting varied demand for employee benefits, e.g. the elderly workers’ preference for long-term care;
- (e) dealing with increased pressures on retirement systems; and
- (f) making work more versatile and challenging.

Non-White and Hispanic Workforce

Along with the expected increase of older workers and women in the labor force, non-whites will constitute an increasing share of the Washington labor force in the coming decades. Labor force growth rates of African, Asian, and other non-white Americans are expected to be considerably higher than the white.

In 1980, 6.2 percent of the Washington labor force was non-white; in 2000, the share increased to 12.2 percent. From 2002 to 2027, the non-white labor force in Washington is expected to grow at a 2.1 percent annual rate, compared to the 1.1 percent and 1.3 percent annual rates for the white and the total labor force, respectively. While in 2002 non-white workers represented only 12.7 percent of total labor force in the state, they will account for 23 percent of the state’s net labor force growth between 2002 and 2027. The non-white share is expected to reach 14.1 percent in 2010, and 15.5 percent by 2027. Table 2-5 shows the changing racial composition of the state labor force.

The main reason for an increasing share of non-whites in the labor force is that the non-white population is expected to grow at a much higher rate than the white population. A second factor is the younger age composition of the non-white population compared to whites. Non-whites are also expected to continue increasing their labor force participation rates.

Another important labor trend, in the state and nationwide, is ethnic diversification. Between 2000 and 2027, workers of Hispanic origin in the state will double from 368,900 to 774,000. As a result, Hispanics will account for 18.5 percent of the Washington labor force by 2027, one-and-a-half times the share of 12.1 percent in 2000.

Table 2-5
Labor Force Composition by Race: Washington

Year	Total Labor Force (1000s)	Share of Total Labor Force				
		White	African American	Asian & Other	Total Non-White	Hispanic
1990	2538.1	91.5%	2.7%	5.7%	8.5%	3.8%
1995	2804.4	89.3%	3.1%	7.6%	10.7%	7.1%
2000	3045.3	87.8%	3.4%	8.8%	12.2%	12.1%
2005	3219.5	86.6%	3.6%	9.8%	13.4%	14.0%
2010	3488.9	85.9%	3.8%	10.4%	14.1%	15.5%
2015	3704.2	85.3%	3.8%	10.9%	14.7%	16.9%
2020	3895.2	84.6%	3.9%	11.5%	15.4%	18.4%
2027	4178.4	84.5%	3.9%	11.6%	15.5%	18.5%

The trend toward racial and ethnic diversification poses a critical issue in the effort to elevate worker skills in the future. Today, the average education level of African American workers of every age cohort is far below their white counterparts. The gap has been narrowing, but at a slow pace. The gap for Hispanic workers is even greater. In 1990, only 56.7 percent of the Washington Hispanic population 25 years of age or older completed high school or equivalency, compared to the 85.0 percent rate for the non-Hispanic persons in the same age group. As future economic growth relies more and more on productivity improvement, raising the education levels of these fast-growing racial and ethnic minorities becomes a major policy concern.